

Quick Answers

Question 1

Analyse the possible causes of a rise in the wages of bank workers.

Coherent analysis which might include:

- Demand for bank workers may increase (1) due to higher demand for banking / this may result from more people opening bank accounts/using the services of banks (1) may also result from a rise in the productivity of workers (1) more banks competing for the services of bank workers / more competition for workers (1) higher wages paid to retain bank workers (1)
- Supply of bank workers may fall (1) qualifications may have been increased (1) skills may have increased / may need to be more skilled as working with more advanced technology (1)
- Bank workers may use trade union power (1) collective bargaining and/or industrial action (1)
- Banks may have earned large profits (1) may have rewarded workers with bonuses (1) bonuses / high pay may be used to motivate workers (1)
- A higher national minimum wage (1) forcing banks to pay some of their staff more (1)
- Bank workers may work longer hours / may work overtime (1)
- Bank workers may be more experienced (1) more productive / more skilled (1)
- Inflation / higher income tax (1) purchasing power will fall unless wages increased (1)

Question 2

Define wages.

- A payment/reward (1) to labour/workers (1)

Question 3

Discuss whether or not an increase in wages will always attract more people to work in Kenya's flower industry.

6 marks maximum for the question

Award up to 4 marks for logical reasons why they might, which might include:

- Unemployment may remain high (1) resulting in people searching for jobs (1)
- Wages are a key influencing factor in the jobs that people select to do (1) increases in wages can raise living standards (1) enabling people to consume more goods and services (1)
- Higher wages may enable some people to escape poverty (1) allowing them to afford basic essentials (1)
- Population is increasing (1) more people are likely to be entering the labour force (1).

Award up to 4 marks for logical reasons why they might not, which might include:

- Wages may rise more in other industries (1) reducing the relative pay in the cut flower industry (1)
- Wages may rise by less than inflation (1) reducing real wages (1)
- Workers do not base their decisions just on wages/non-wage factors may be better in other industries (1) examples e.g. better promotion opportunities, better working conditions, longer holidays (up to 2 marks)

Question 4

Discuss whether or not skilled workers are always paid more than unskilled workers.

Level 3: (6-8 Marks)

A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but

overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.

Why they might be:

- skilled workers may be in shorter supply as they may require training and qualifications
- skilled workers may be in inelastic supply and demand for them may be inelastic
- skilled workers may be in higher demand as they will be more productive
- skilled workers may have stronger bargaining power
- skilled workers may be more likely to work in the tertiary sector
- Skilled workers may be more mobile.

Why they might not be:

- skilled workers may have less experience and may be in less promoted positions
- skilled workers may be in declining industries
- skilled workers may place more importance on non-wage factors when deciding what jobs to do
- skilled workers in poorer countries may have lower wages than some unskilled workers in richer countries.

Example of a Level 3 answer:

Skilled workers may be paid more than unskilled workers as they have more qualifications and/or experience, so demand may be high compared to supply. Supply could be low due to long training required to learn skills, so the labour market would be more competitive and skilled workers higher paid. Demand for the products skilled workers provide may be higher, so their pay could be higher due to higher derived demand. Also, they may belong to stronger trade unions which have more bargaining power to negotiate for higher pay.

It is also possible that unskilled workers could be higher paid. This is because their work may be dangerous, e.g. miners, so the supply of workers willing to do the job may be lower and firms have to pay more to attract workers. Long working hours (less leisure time) and poor working conditions mean unskilled workers may be higher paid, and if the work is boring and very few people are willing to do the job. For example, cleaners in the US are paid much higher wages than cleaners in India as the number of people willing to accept a job as a cleaner in the US is very low. There is even a possibility that unskilled workers could be paid higher than skilled workers.

Principal Examiner comment:

This is a strong L3 response. It is a two-sided answer with depth and logical links. For example, the candidate links qualifications and experience to demand for and supply of workers, as well as linking demand for workers with demand for the products they produce. The candidate discusses some of the key influences on wage determination.

Guidance:

Accept responses from the viewpoint of why unskilled workers may be paid more.

Question 5

Discuss whether or not older workers are paid more than young workers.

Up to 5 marks for why they might be:

- They have more experience (1) they are likely to have received more training (1) they may have higher productivity (1) more skilled (1) more reliable / make fewer mistakes (1) in higher demand (1) lower supply (1)
- They may have been with the same employer for some time (1) and may have been promoted (1)
- Some older workers may be rewarded for staying with the same employer / young workers may be at start of career (1) be paid a loyalty bonus (1)
- In some countries, the minimum wage may rise with age (1)

Up to 5 marks for why they might not be:

- Some older workers in jobs requiring physical strength (1) may be less fit / young workers may be fitter (1)
- Older workers may be less occupationally mobile (1) geographically immobile (1) and so may not move to gain higher wages (1)
- Young workers may be more up to date with advances in technology / new methods / new ideas (1) their skills may be in higher demand (1)
- Young workers may be in expanding industries (1)
- Young workers may work more hours (1) may be better educated / more qualified (1)

Question 6

Identify, using information from the extract, two factors that influence an individual's choice of occupation.

- working hours / leisure time
- holidays
- job security / job insecurity.
- wages

Question 7

Explain, using information from the extract, why wage rises have been low in Japan.

- Trade unions have been concentrating on trying to achieve shorter working hours (1) this may suggest they have not been pressing for wage rises (1)
- Higher demand for labour has been matched by higher supply (1) the higher supply has come from immigration (1) and a higher proportion of women in the labour force / people working past retirement age (1) making it easier for firms to recruit workers without raising wages (1)
- Long experience of deflation / low economic growth (1) may have resulted in lower consumer spending / low profits / real wages may have increased (1)
- Job insecurity (1) less willing to press for wage rises (1).

Question 8

Explain two reasons why workers in the tertiary sector may be paid more than workers in the primary sector.

Logical explanation which might include:

- Higher demand (1) due to e.g. higher productivity / more profitable / expansion of tertiary industries (1)
- Lower supply (1) due to e.g. higher qualifications/skills/education needed (1)
- Stronger bargaining power (1) due to stronger trade unions / professional organisations (1). Primary sector workers can be replaced by capital equipment (1) so bargaining strength is weak (1)
- More favoured by government policy (1) e.g. increased government spending on education/healthcare (1)
- Tertiary sector workers are mainly found in developed countries where wages / cost of living is generally high (1) whereas primary sector workers are mainly found in undeveloped countries where wages / cost of living are generally low (1)
- Lower value of goods and services being provided in primary sector (1) lower pay for primary sector workers (1)

Guidance

One mark for each of two reasons identified and one mark for each of two explanations.

Question 9

Analyse the advantages for firms of using division of labour.

Coherent analysis which might include:

- Division of labour involves workers specialising (1) this can increase output / increase productivity (1) costs of production may be reduced (1) e.g. lower costs of training (1) e.g. less equipment needed (1)
- Specialisation can increase quality (1) lower costs can enable to charge lower prices (1) demand may rise (1) revenue/profits may increase (1)

Question 10

Analyse, using Table 1.1, the relationship between average weekly hours worked and average weekly wages.

Expected relationship – they would move in the same direction (1)

Reason for expected relationship – more hours to produce more output (1)

Evidence in support of expected relationship - data does not support expected relationship (1)

Evidence against expected relationship – wages increase (1) hours fall / hours stay same (1) workers getting paid more per hour (1)

Guidance

- A **pattern of analysis** is expected in response to this type of question
- If there is no expected pattern of analysis, the following may be worthy of some reward, e.g.: less hours worked will lead to workers becoming more productive; therefore earning more (1)

Question 11

Explain, using information from the extract, one reason for differences in earnings between different jobs in New York.

- different skills required / lower productivity (1) higher skill leads to higher pay (1)
- discrimination (1) men paid more than women / male dominance in the financial sector leads to higher pay for men (1)
- different industries (1) finance paid more than in education (1)

Question 12

Identify two non-wage factors that could affect an individual's choice of occupation.

- opportunity for promotion
- job security
- satisfactory work
- varied work
- pleasant working conditions
- fringe benefits
- location
- danger

Question 13

Explain two reasons why farm workers may be low paid.

- high supply / easily replaced / lower productivity / labour intensive / low value products (1) low skills/qualifications required (1).
- low demand (1) can be replaced by capital equipment (1).
- low bargaining strength (1) weak trade unions/low trade union membership (1)

Question 14

Analyse why skilled workers are usually paid more than unskilled workers.

- The demand for skilled workers is likely to be higher (1) due to their higher productivity / education (1) expectation of a higher rate of return / sales (1) better quality goods and services (1) resulting in greater profits (1).
- The supply of skilled workers is likely to be lower / more inelastic (1) due to the shortage of people with skills / qualifications (1).
- Skilled workers may have more bargaining power (1) harder to replace / may cause more disruption by taking industrial action (1).

Guidance

- 2 marks could be awarded for an accurately drawn demand and supply diagram showing higher demand and lower supply.

Question 15

Explain two reasons why someone may want to work for an MNC.

- wages may be high (1) giving high living standards (1)
- working conditions may be good (1) e.g. short working hours, good health and safety standards (1)
- training may be good (1) raising worker's future job prospects (1)
- fringe benefits may be good (1) e.g. free accommodation (1)

- more chance of promotion (1) higher earnings in the long run (1)
- Good reputation (1) prestige working for the firm / increased future employment opportunities (1).

Question 16

Analyse what determines a firm's demand for labour.

- Demand for the product (1) demand for labour is a derived demand (1) the higher the demand for the product, the more workers employed (1)
- Productivity / high skills / qualifications (1) a rise in productivity will increase the return from employing labour / the higher skills the higher the demand (1)
- Wage rate (1) a fall in the wage rate would be likely to increase the demand for labour (1)
- The price (1) and productivity (1) of substitutes to labour (1) and complements to labour (1)
- Production method (1) demand will be higher if production is labour intensive (1)

Question 17

Identify two reasons why a person may want to work in the state sector.

- Higher wages (1) job security (1) better pension (1) good working conditions (1) status of public sector worker (1) job satisfaction e.g. teacher (1) patriotism / to perform a public service (1) state sector jobs may be more widely available (1).

Question 18

Discuss whether or not a worker would always benefit by specialising.

Up to 5 marks for why they would benefit:

- By specialising workers focus on what they are best at (1) acquiring better skills (1) quality of goods increase (1) output/productivity increases (1) worker earns a

higher income (1) easier to find job in the same sector (1) more likely to achieve promotion (1)

- Saves time (1) workers don't need to think of next process / move from place to place (1)
- Specialised workers are limited in supply (1) causing their wage to be higher (1)
- Invention of new technology (1) makes the job easier (1)

Up to 5 marks for why they would not benefit:

- Workers may experience boredom (1) if the work is repetitive (1) reducing productivity/efficiency/motivation (1)
- Those with a limited amount of skills (1) may find it difficult to obtain alternative jobs (1) may be replaced by machinery more easily (1) risk of unemployment (1)
- Workers may be over-dependent / too reliant on one skill / risk over-specialisation (1) unable to complete the task without the help of others (1) especially when production is disrupted (1)
- Training to specialise has an opportunity cost (1) lost income / later starting date (1)

Guidance

- Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is to be rewarded.

Question 19

Explain two reasons for wage differentials amongst different economies.

- Difference in demand for labour (1) difference in supply of labour (1)
- Whether or not an economy is in recession (1) economies in decline will have a low demand for labour / expanding economies will have a high demand (1)
- Difference in population affecting the supply of labour (1) net migration rates / birth rates / death rates (1) more supply would decrease wages / lower supply would increase wages (1)
- Difference in demand for goods and services (1) affecting the demand for workers as demand for workers are derived demand (1)

- Difference in government spending on e.g. education (1) affects wage of public sector (1)
- Difference in productivity affecting the demand (1) high productivity leads to higher output (1) leads to higher wages (1)
- Difference in trade union and collective bargaining power (1) countries with stronger trade unions will push wages up (1)
- Difference in living costs / inflation (1) e.g. food prices (1) wage demands increase (1)

Question 20

Define earnings.

- Income / money received by a factor of production (1) received from working / payment to workers (1) includes wages/salaries (1) overtime payments / bonuses / commission (1).income from other sources e.g. undertaking financial investment / renting / running a business (1).

Question 21

Explain two non-wage factors that influence an individual's choice of occupation

Accept any valid non-wage factor (1) with a valid explanation (1) e.g.

- Short working hours (1) would increase leisure time (1)
- Job security (1) reduces stress (1)
- Promotion chances (1) increase wages in long run (1)
- Fringe benefit / example (1) explanation of fringe benefit / explanation of example (1)
- Qualifications / skills / education (1) allow an individual to choose an appropriate occupation (1).

Question 22

Analyse why economics graduates are well-paid

- Graduates are skilled / more knowledgeable (1) have high levels of qualifications/training/education (1) productive / efficient (1) demand for their services is high (1) demand is inelastic (1) supply is low (1) long period of training required (1) supply is inelastic (1)
- Graduates tend to work in jobs with high pay/position/responsibility/stress (1) example (1)
- An economics degree is held in high esteem as a qualification (1)

Question 23

Explain the difference between the private sector and the public sector

- The private sector is the part of the economy where market forces / price mechanism / producers and consumers' decisions allocate resources (1) firms are owned by private individuals (1)
- The public sector is the part of the economy where the government makes the decisions / government controlled / government-owned firms (1)

Question 24

Explain two reasons why a person may be willing to work at night

- A person may lack the skills to gain another job (1) have no choice (1)
- There may be a high unemployment rate (1) a person will be grateful for any job (1)
- Night work may fit in with family circumstances (1) a person may have to look after children / older relatives during the day (1)
- The job may be well paid (1) compensating for the inconvenience (1)
- The job may offer fringe benefits (1) example e.g. longer holidays (1)
- A person may enjoy their job (1) example (1)

- A person may need to earn additional income (1) to supplement income from day job / to support their family (1)

Question 25

Identify two reasons why someone may choose to train to become a dentist.

- High pay (1) fringe benefits (1) job security (1) good working conditions/environment (1)
- Interest/vocation/passion/high job satisfaction (1) high status (1)

Question 26

Analyse the advantages of an increase in a country's labour force

- A larger labour force increases (potential) output (1) if the increased labour force are employed (1) output will rise (1) higher GDP/economic growth will occur (1)
- Tax revenue will rise (1) enables increase in government expenditure on e.g. education and health (1) the level of dependency may fall (1)
- New workers may bring new skills to the labour force (1) labour productivity may rise (1) the new workers may be more geographically mobile (1) occupationally mobile (1) may attract MNCs (1)
- Higher labour supply (1) may reduce wages (1) reduce cost-push inflation/lower prices (1)
- Higher output results in increased exports (1) improving balance of payments on current account (1)

Question 27

Discuss whether or not older workers are always paid more than younger workers.

Up to 3 marks for why older workers may be paid more:

- Older workers may have been with a firm for a long time (1) may have gained promotion (1) developed skills (1) gained experience (1) may have undertaken training (1) may be in managerial jobs (1) may be more productive (1)

Up to 3 marks for why older workers may not be paid more:

- May be less productive (1) less fit for physical work (1) may be out of date with new technology (1) lack new ideas (1) may have had less education in the past (1)
- May be less occupationally mobile (1) less willing/able switch jobs (1)
- May be less geographically mobile (1) less willing/able to move in search of higher paid employment (1)

Guidance

- Accept skills or efficiency on either side. One mark if given on both sides. More marks can only be awarded if a reason for better skills is given

Question 28

Analyse why Premier League footballers receive very high wages

- High demand (1) due to high demand for the services of footballers (1) many people want to watch football matches in stadiums (1) on television (1)
- Football clubs receive high incomes (1) compete for players (1)
- Low supply (1) have to be skilled (1) not many possess the skills (1)
- Premier League players may have strong bargaining power (1) through strong professional organisation/trade union/agents (1)
- To compensate for negative aspects of the job (1) e.g. risk of personal injury (1) other relevant example (1)

Question 29

Analyse what determines the demand for labour

- Demand for goods and services (1) demand for labour is a derived demand (1)

- Productivity/skills (1) higher productivity will increase demand for labour (1)
- Wage rates (1) higher wage rates will reduce demand for labour (1)
- Price of capital (1) higher price may increase demand for labour if they are substitutes (1) higher price will reduce demand for labour if they are complements (1)
- Non-wage costs e.g. employer's contribution to pension scheme (1) higher costs reduce demand for labour (1)
- Taxes on employment of labour (1) higher taxes reduce demand for labour (1)
- Government employment subsidies (1) higher subsidies will increase demand for labour (1)

Question 30

Analyse why more women may enter the labour force

- May be a reduction in gender discrimination (1) a change in social attitudes (1) making it easier for women to get jobs (1) be promoted (1)
- There may be a rise in the pay available to women (1) increasing the opportunity cost of not being in the labour force (1)
- There may be a fall in the birth rate (1) making it easier for women to work (1)
- There may be improvements in the education of women (1) increasing their skills / raising their earning potential (1)
- There may be a rise in part-time and/or flexible employment (1) making it easier for women to combine working and caring for families (1)
- Increases in the cost of living (1) may create a need for higher family income / to support their family (1)
- Government measures to encourage the entry of women into the labour force (1) e.g. provision of free or subsidised childcare (1).